40 MW Offshore Wind Energy
Estimated Economic & Rate Impacts

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North Charleston SC
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Background

- 2008 - present
  - Regulatory Task Force for Coastal Clean Energy (US DOE grant, 2008-)
  - Wind Energy Production Farms Feasibility Study Committee established (SC Act 318 of 2008)
    - 2010 report to SC General Assembly
  - Palmetto Wind Project (SCEO, Santee-Cooper, CURI, Coastal Carolina)
  - CURI and USDOE wind turbine drive train testing facility (2009-)
  - Offshore Renewable Energy State-Federal Task Force (with US BOEMRE, 2012-)

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SC Wind Energy Supply Chain Survey & Offshore Wind Economic Impact Study

- STI & CURI partnership, funded by USDOE through SCEO (2012)
- Wind Energy Census of manufacturers
  - 33 firms
  - 1,134 employees (14% of total employment)
  - 1 – 400 employees
  - Wind specific activity included: engineering services (6 firms), other consulting services (6), and manufacture of wind energy components (8 firms)
- All respondent firms had US markets.

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Economic Impact of SC's Wind Energy Supply Chain (2012)

- 1,134 jobs in wind energy related production or service activities
- 1,797 additional jobs generated through indirect and induced effects for total impact of 2,931 jobs
- $530 million in output in 2012
- $29 million in revenue to state government
- $21 million in revenue to local governments

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Phase 2 Purpose & Funding

To assess the estimated economic impact of a 40 MW demonstration offshore wind farm on South Carolina, including electric rate impacts.

Funded by the State Energy Office, a division of the South Carolina Budget & Control Board, with a U.S. Department of Energy grant.

SC ENERGY OFFICE

B&CB

SC BUDGET AND CONTROL BOARD

DEPARTMENT OF ENERGY · UNITED STATES OF AMERICA

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Phase 2 Tasks

1. Estimate economic and fiscal impact of 40 MW to 60 MW offshore wind farm construction and operations and maintenance (O&M).
2. Estimate impact of utility capital recoupment on electricity rates.
3. Estimate savings and rate impact from wind offset of electric generation from coal & natural gas.

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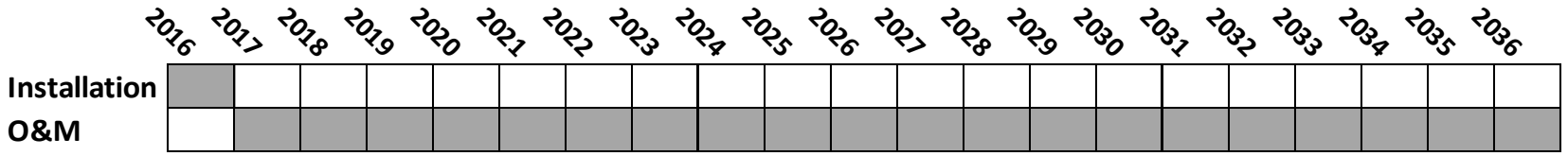
40 MW Demonstration Offshore Wind Farm

- Construction and O&M cost estimates from
  - NREL
  - REPP
  - Industry sources
- One year for construction (2016)
- 20 years of O&M (2017-2036)



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Offshore Wind Farm Assumptions

- Installation of 3 to 5 MW turbines
- 25 meter water depth at the site
- 100 miles between site and staging port
- 50 miles to electrical interconnection on land
- Less than 30 miles to servicing port
- Wind farm size consistent with recommendations from SC Wind Energy Production Farms Feasibility Study Committee

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Manufacturing & Installation Estimated Economic Impact on SC (2016)

	Impact in 2016	Impact per MW per Yr
Employment	959 jobs	24 jobs
Total Compensation	$46.3 million	$1.2 million
Total Output	$148.4 million	$3.7 million
Net Local Govt. Revenue	$1.1 million	$28,340
Net State Govt. Revenue	$2.4 million	$60,450

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Avg. Annual Operations & Maintenance Est. Economic Impact on SC (2017-2036)

	Impact per Year	Impact per MW per Yr
Employment	10 jobs	0.26 jobs
Total Compensation	$934,000	$23,300
Total Output	$2.8 million	$70,900
Net Local Govt. Revenue	-$107,000	-$2,675
Net State Govt. Revenue	-$115,000	-$2,875

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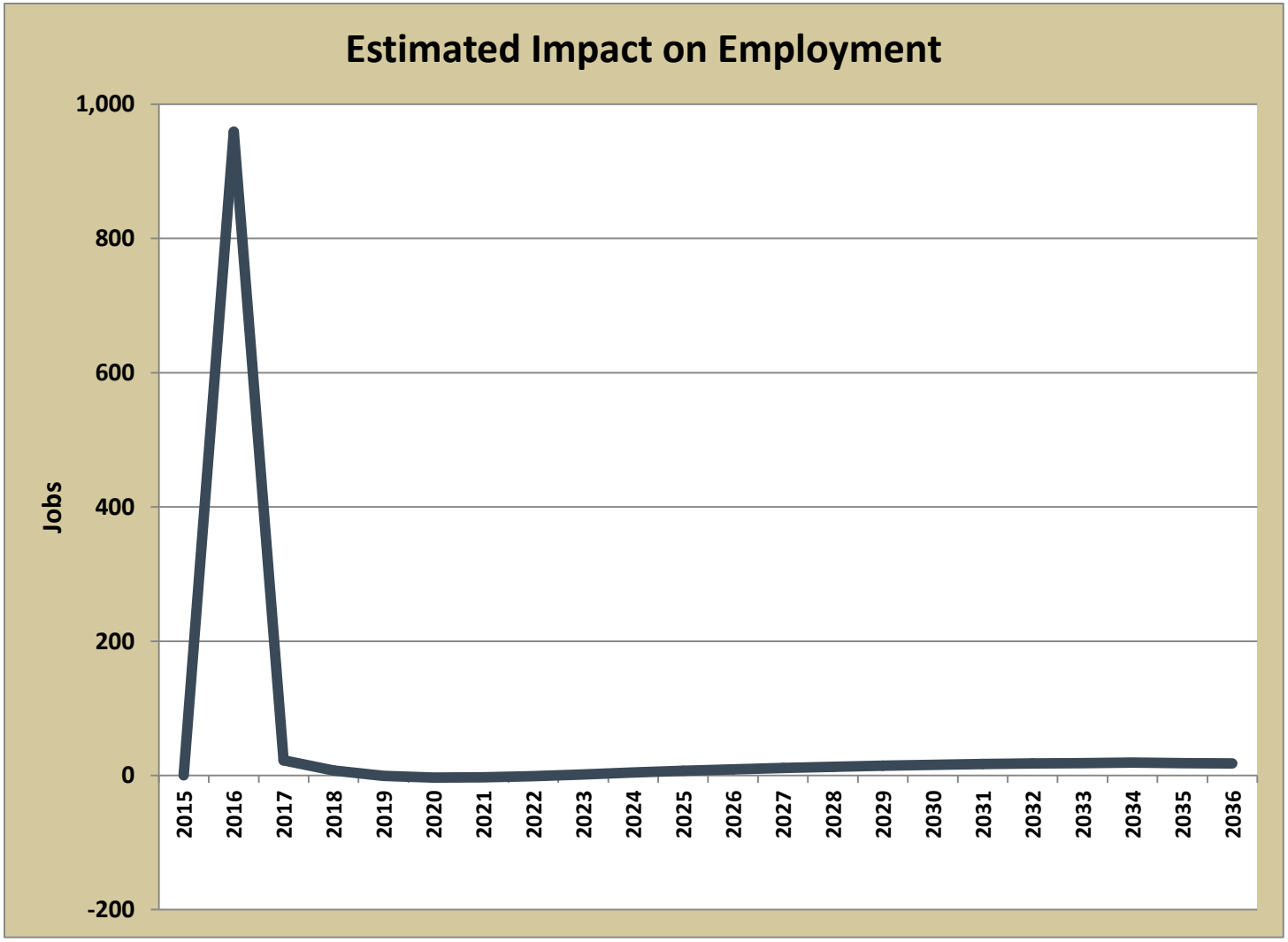

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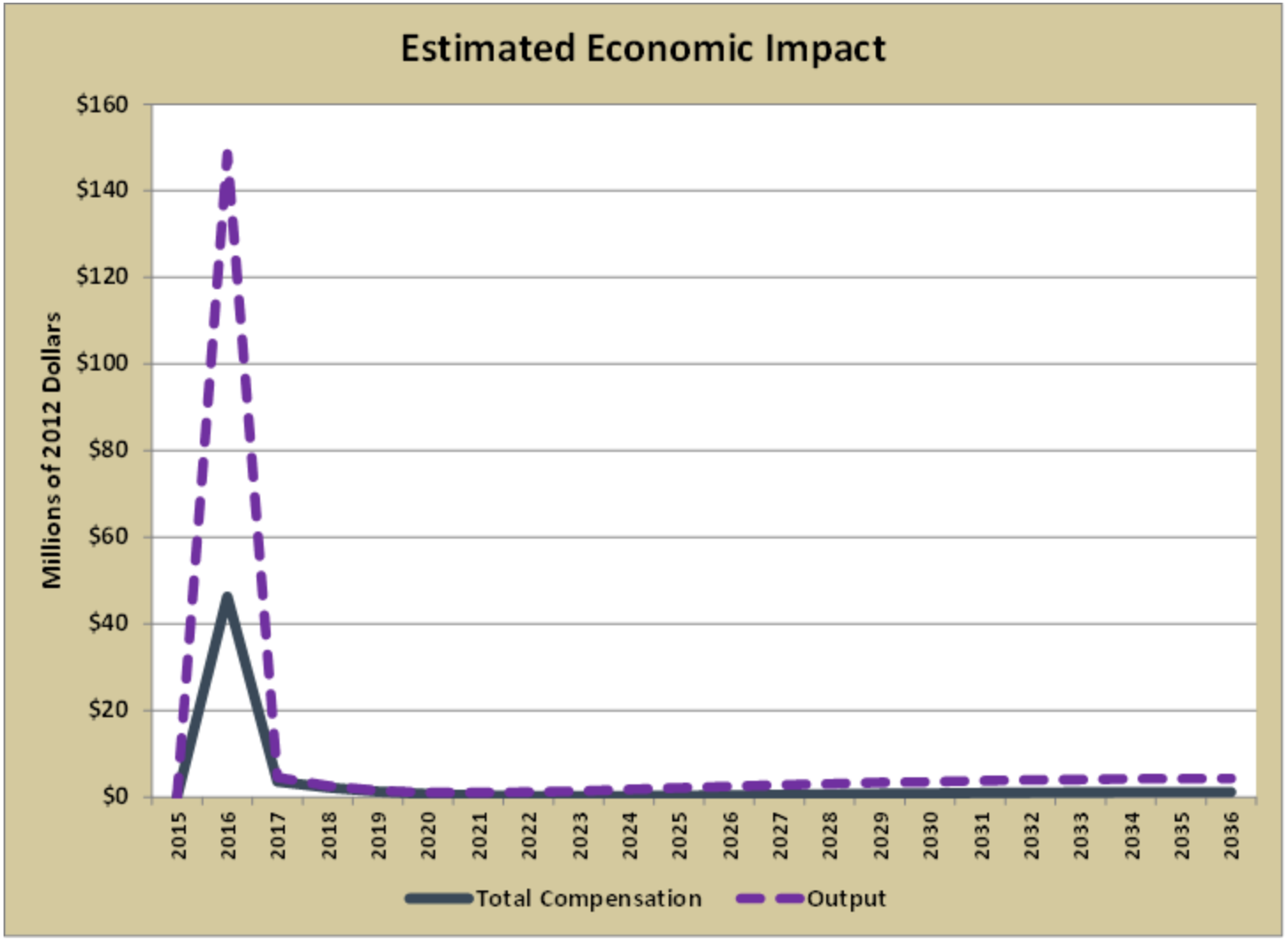

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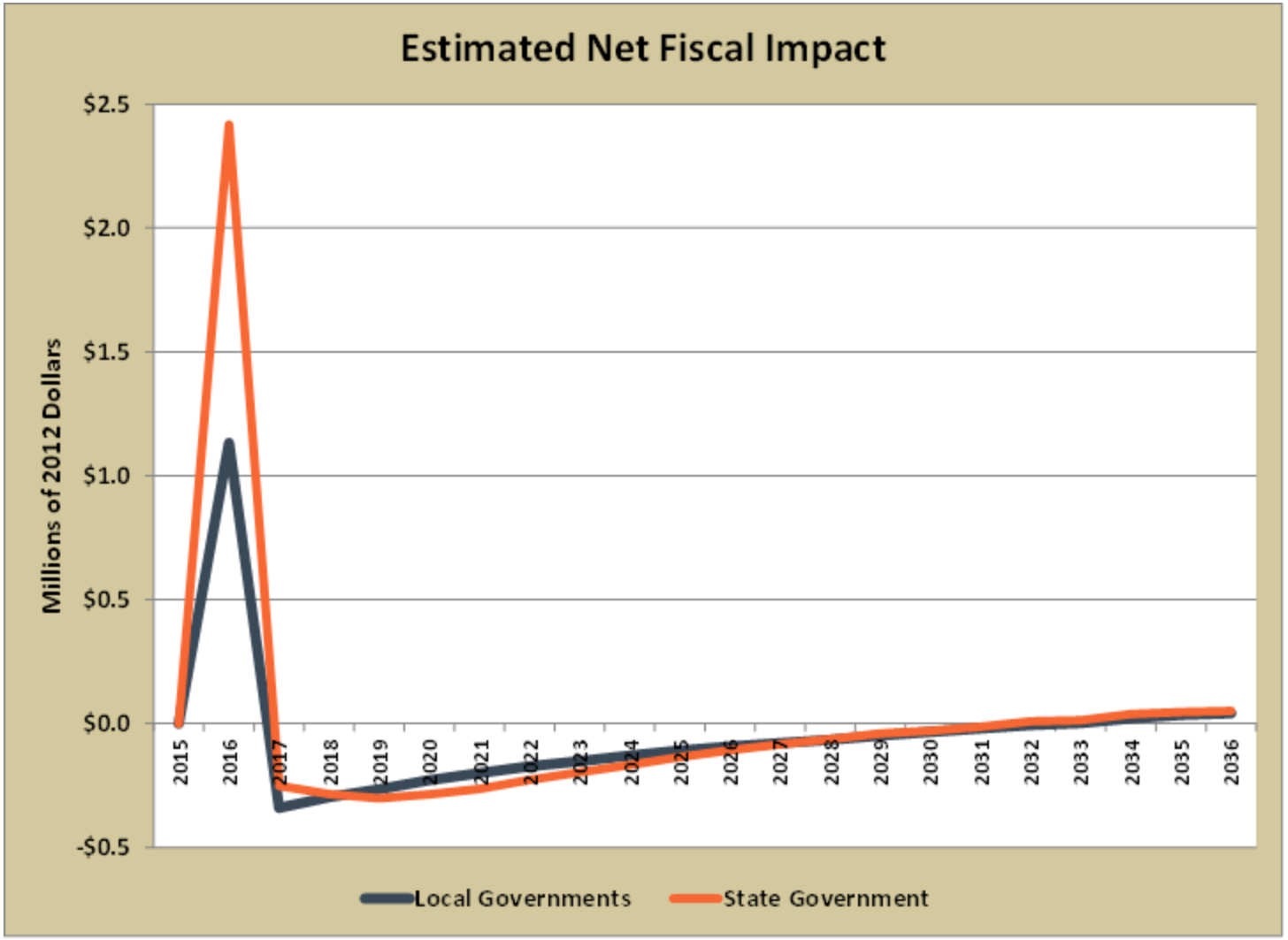

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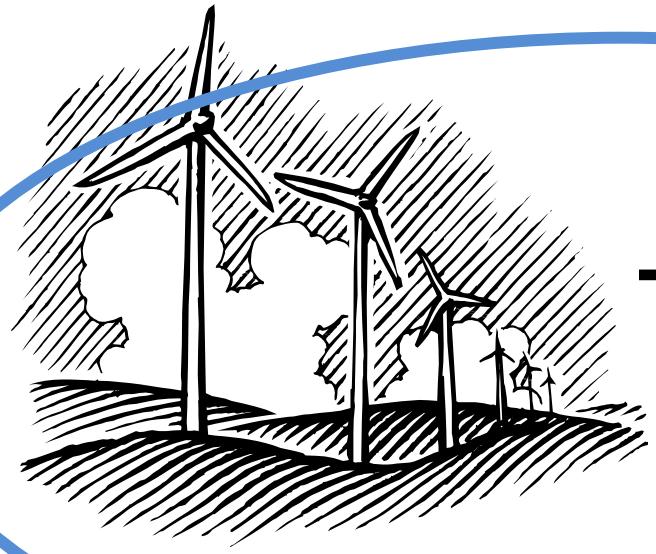
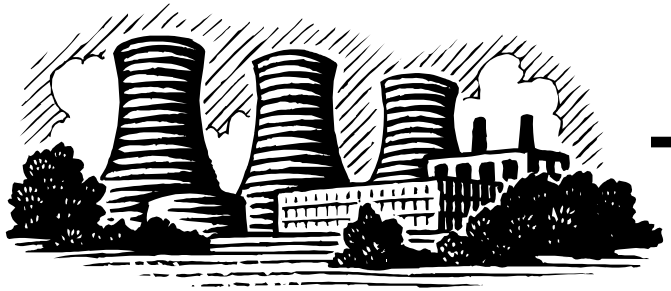
Rate Impact – Conceptual Framework



Annual Capital Cost

Allocate by Customer Class



Annual Avoided Production Cost

Allocate by kWh

Net Rate Impacts

Annual Capital Cost

Cost of Renewable Energy Spreadsheet Tool (CREST; US NREL)

Input	Value	Units
Generator nameplate capacity	40	MW
Project useful life	20	Years
Total installed cost	6,459	$/kW
Fixed O&M cost	66.16	$/kW-yr
Variable O&M cost	0.73	cents/kWh
Annual O&M cost inflation	2	% per year
Blended after-tax WACC	6.11	%
Federal incentives	None	--
State incentives	None	--
Depreciation	Straight-line	--

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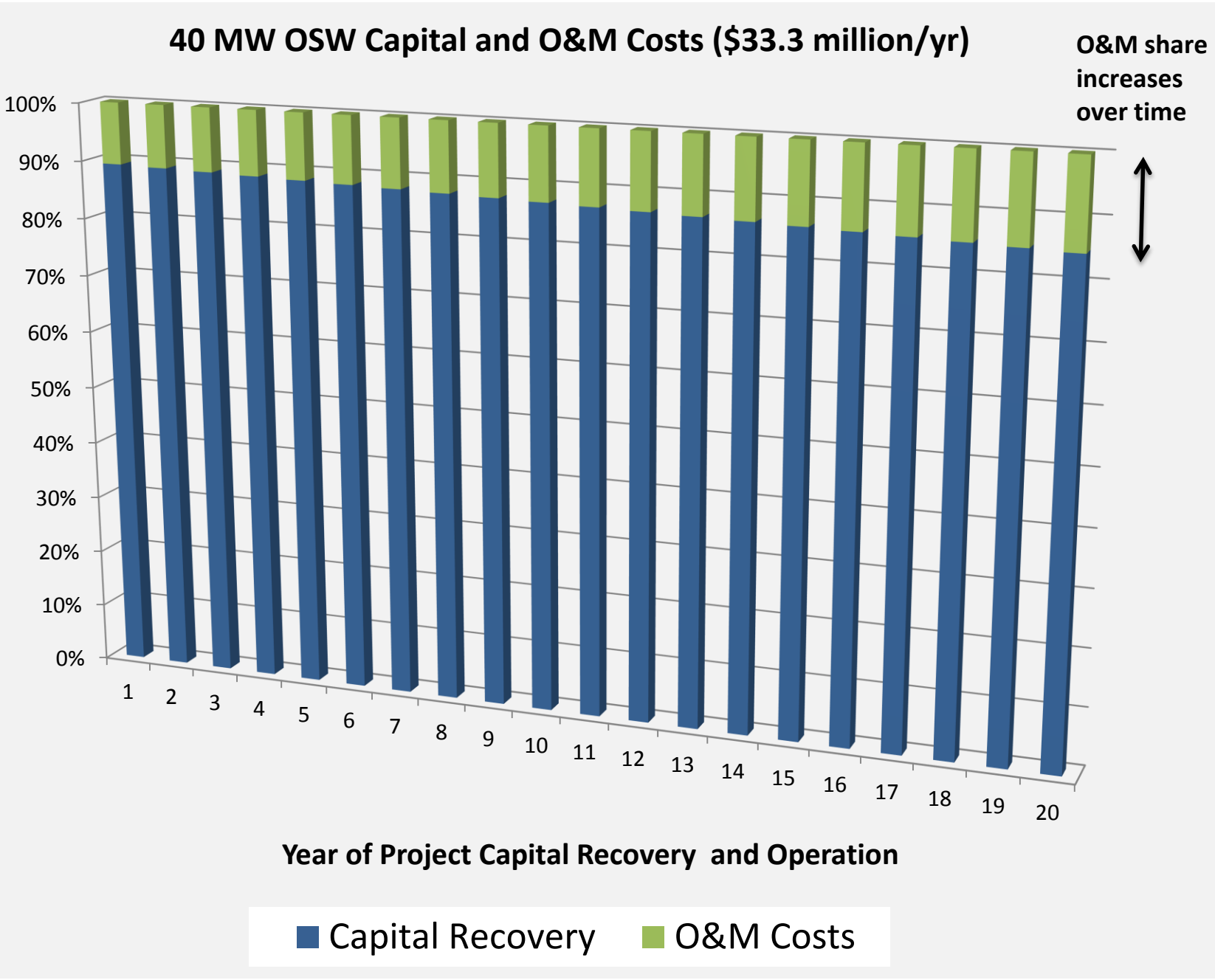
40 MW OSW Capital and O&M Costs ($33.3 million/yr)
O&M share increases over time
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1
2
3
4
5
6
7
8
9
10
11
12
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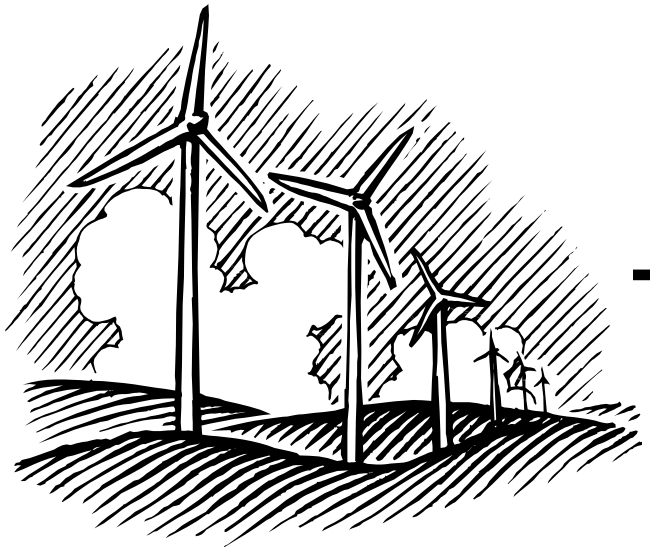
19
20
Year of Project Capital Recovery and Operation
Capital Recovery
O&M Costs

Rate Impact – Conceptual Framework



Annual Capital Cost

Allocate by Customer Class

Annual Avoided Production Cost

Allocate by kWh

Net Rate Impacts

Wind Power Benefits:
Conventional Production Costs Avoided

- Fuel purchases
- Other variable O&M
- CO2 emissions allowance costs

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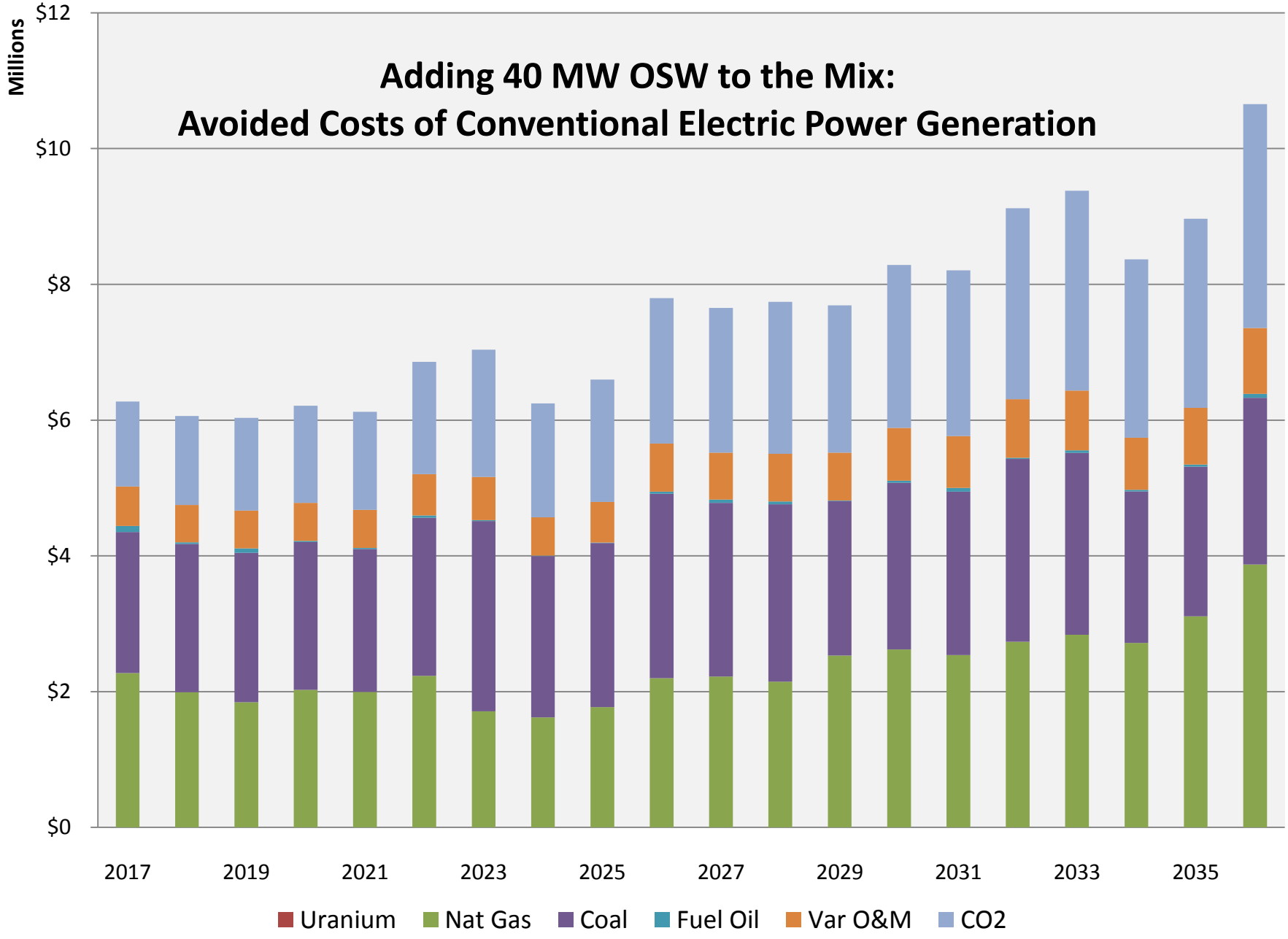
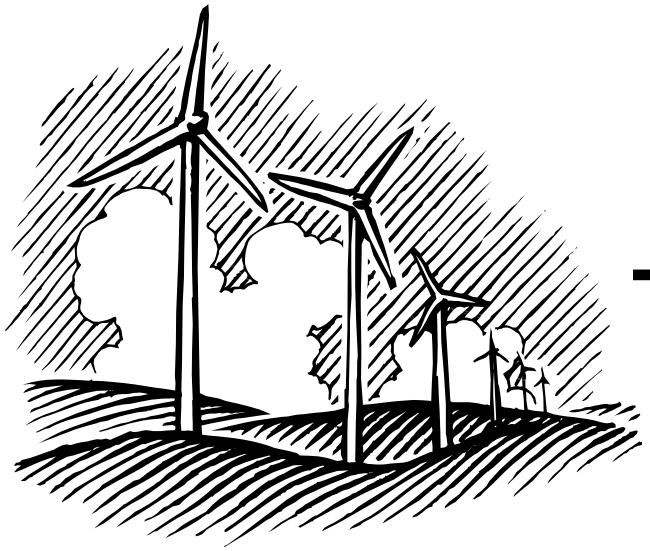

Adding 40 MW OSW to the Mix:
Avoided Costs of Conventional Electric Power Generation
Millions
$12
$10
$8
$6
$4
$2
$0
2017
2019
2021
2023
2025
2027
2029
2031
2033
2035
Uranium
Nat Gas
Coal
Fuel Oil
Var O&M
CO2

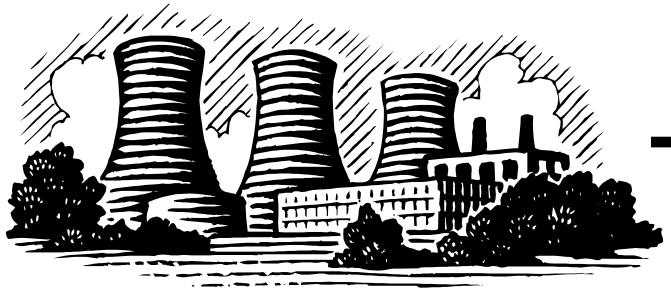
Rate Impact – Conceptual Framework



Annual Capital Cost

Allocate by Customer Class

Net Rate Impacts



Annual Avoided Production Cost

Allocate by kWh

Adding Wind to the System: Estimated Rate Impacts 1

Rate Class	Rate Change ($/Kwh)
Residential	0.00045
Commercial	0.00031
Industrial	0.00011

Adding Wind to the System: Estimated Rate Impacts 2

Rate Class	Average kWh/mo 2012	Avg Monthly Bill	Monthly Increase ($)	Avg Bill Increase (%)
Resid.	1,119	$132	$0.50	0.4%
Comm.	5,167	$497	$1.60	0.3%
Industrial	534,380	$32,173	$57.02	0.2%

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Offshore Wind Energy in SC?

- South Carolina is already in the wind energy supply chain.
- The offshore environment is favorable.
- The statewide economic impact is positive.
- The electric rate impact is minimal.

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The mission of the Coastal Conservation League is to protect the natural environment of the South Carolina coastal plain and to enhance the quality of life of our communities by working with individuals, businesses and governments to ensure balanced solutions.

coastalconservationleague.org

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